

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 EUR-12 IO-13 AGRE-00 TRSE-00 OMB-01
ABF-01 CIAE-00 INR-07 NSAE-00 L-03 /045 W
-----261133Z 052935 /10
R 261046Z MAY 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 4377

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PASS AGRICULTURE

E.O. 11652: N/A
TAGS: EAGR
SUBJECT: MAY 25 I.W.C. EXECUTIVE COMM. MTG.

REFS: (A) STATE 112154 (B) AIRGRAM A-335, MAY 13, 1977

1. MAJORITY OF MEETING CONSUMED BY PRESENTATION OF THE AUDITED ACCOUNTS FOR 1975/76 AND THE DRAFT BUDGET FOR 1977/78. WITH RESPECT TO THE 1977/78 BUDGET PROPOSAL THE EXECUTIVE SECRETARY INDICATED THAT TWO MAJOR UNCERTAINTIES EXIST WHICH MAKE DIFFICULT THE BUDGETARY GUESSWORK: (A) RECENT INDICATORS RELEASED BY THE DEPT. OF EMPLOYMENT POINTING TOWARDS AN INFLATIONARY RATE OF 17 PERCENT AND, (B) UNCERTAINTY WITH RESPECT TO TIMING AND LENGTH OF PREPARATORY GROUP MEETINGS AND NEGOTIATING CONFERENCES FOR RENEWAL OF THE I.W.A. IN TOTAL THE BUDGET REFLECTS AN INCREASE OF 13 PERCENT OR 55,000 POUNDS OVER THE 1976/77 LEVEL. ACCORDINGLY, A 13 PERCENT INCREASE IN MEMBERSHIP CONTRIBUTIONS WOULD FOLLOW RAISING THE PER-VOTE ASSESSMENT FROM 212.50 POUNDS TO 240 POUNDS WITH THE U.S. CONTRIBUTION INCREASING BY ROUGHLY 8,000 POUNDS AND ACCOUNTING FOR 14.2 PERCENT OF TOTAL CONTRIBUTIONS.

2. INFLATIONARY TRENDS AS WELL AS THE CHANGING STERLING
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/DOLLAR RELATIONSHIP ARE LINKED MOST DIRECTLY TO STAFF SALARIES AND ALLOWANCES (ROUGHLY 55 PERCENT OF THE TOTAL BUDGET). IMCO IS LOOKED TO BY THE LONDON BASED INTERNATIONAL COMMODITY ORGANISATIONS AS THE TRENDSETTER FOR SALARY INCREASES. AT A MAY 25TH MEETING, IMCO APPROVED AN INCREASE OF 14.5 PERCENT RETROACTIVE TO JANUARY 1ST, 1977. THE IWC 1977/78 BUDGET INCLUDES A

GENERAL ALLOWANCE OF 15 PERCENT TO COVER FLUCTUATING EXCHANGE RATES AND POST ADJUSTMENTS. THE EXECUTIVE SECRETARY EXPRESSED CONCERN THAT THIS INCREASE MAY PROVE TO BE INADEQUATE. THE COMMITTEE ENDORSED THE SECRETARY'S PROPOSAL TO COMMENCE PAYMENT OF ADVANCE SALARY INCREASES PENDING APPROVAL AT THE JUNE COUNCIL MEETING.

3. THE USDEL INDICATED TO THE COMMITTEE THE DIFFICULTY WHICH THE U.S. MIGHT EXPERIENCE IN SUPPORTING THE PROPOSED 13 PERCENT INCREASE AND POINTED TOWARDS THE CONTINGENCY FUNDS AS POSSIBLE AREAS OF REDUCTION. THE EXEC. SEC. HOWEVER DURING HIS EARLIER PRESENTATION OF THE BUDGET PLACED SPECIAL EMPHASIS ON THE CONTINGENCY FUNDS, PARTICULARLY THE 10,000 POUNDS EACH FOR ACCOMMODATIONS AND RENEWAL OF IWA 1971 WHICH IN FACT ARE UNSPENT SUMS BEING BROUGHT FORWARD IN SUSPENSE FROM THE 1976/77 BUDGET. THE 13,000 POUND RESERVE CONTINGENCY WAS ADDED TO THE BUDGET AS A ROUNDING PROVISION AND DONE SO AT THE DIRECTION OF THE BUDGET SUB-COMMITTEE WHICH MET ON APRIL 27.

4. THE CONCLUSION OF THE COMMITTEE WAS THAT THE DRAFT BUDGET SHOULD BE PRESENTED AS IS TO THE FULL COUNCIL IN JUNE AT WHICH POINT THE QUESTION OF ADJUSTMENTS COULD BE CONSIDERED IN DETAIL. THE USDEL WAS THE SOLE COMMENTATOR

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ON THE PROPOSED BUDGET.

5. FOLLOWING THE BUDGET DISCUSSIONS THE EXEC. SEC.

WONDERED IF ANY PRESENT DELEGATES MIGHT WISH TO OFFER CLARIFICATION ON THE RECENT BILATERAL AND MULTILATERAL MEETINGS BETWEEN THE MAJOR WHEAT EXPORTERS. THE USDEL OFFERED THAT THE RECENT MEETINGS HAD BEEN HELD IN AN EFFORT TO FIND A FRAMEWORK OF COOPERATION AMONG EXPORTING AND IMPORTING COUNTRIES AND THAT THE MEETINGS WERE MEANT TO SUPPLEMENT AND NOT DETRACT FROM THE ONGOING EFFORTS OF THE IWC AND THE PREPARATORY GROUP. THE CANADIAN DELEGATE READ A STATEMENT WHICH CHARACTERISED THE RECENT MEETINGS AS EFFORTS TO CONSULT ON POSSIBLE ELEMENTS OF A NEW AGREEMENT AND STATED THAT THE CANADIAN GOVERNMENT HOPED THAT MORE CONSULTATIONS WOULD TAKE PLACE IN THE NEAR FUTURE. HE ALSO STATED THAT CANADA AS WELL AS OTHER MAJOR EXPORTERS QUOTE HOPED QUOTE TO BE IN A POSITION TO QUOTE OUTLINE QUOTE SOME SUGGESTIONS WITH RESPECT TO A POSSIBLE NEW AGREEMENT OF THE COUNCIL MEETING IN JUNE.

6. WITH RESPECT TO PARA.3 REF. A, THE IWC IS USING AN EXCHANGE RATE OF 1.72 DOLLARS TO THE POUND. CONCERNING INFLATION, THE EMBASSY IS PROJECTING A 16 - 17 PERCENT RATE FOR CALENDER 1977. A TENTATIVE FORECAST FOR JULY/ UNCLASSIFIED

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JUNE 1977/78 ASSUMING NO MAJOR CHANGES IN GOVERNMENT POLICY ACCOMPANIED BY MODERATE WAGE INCREASES MIGHT BE 11 - 13 PERCENT. SPIERS

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